



BY JOSEPH SUNBURY AND ALLISON STEPHENS

Driving Change Through the Audit Committee

TO IMPROVE FIDUCIARY OVERSIGHT, THE NEVADA SYSTEM OF HIGHER EDUCATION STRENGTHENED RELATIONSHIPS AND CONNECTED THE DOTS.

IN 2015, THE NEW CHIEF INTERNAL AUDITOR (CIA) FOR THE Nevada System of Higher Education (NSHE), Joe Sunbury, met for the first time with the new Board of Regents Audit Committee Chair, Allison Stephens. At that time, the System Internal Audit Department and the Audit Committee had been operating the same way for decades. The audit work plan was driven primarily from historical data, and meetings elicited minimal engagement, which was not an effective use of audit resources or committee time. The two leaders committed to changing the way that the board handled its audit responsibilities.

Relationship Development

One of their primary focuses was to modernize the Audit Committee structure, starting with solidifying the relationship between the chair and the CIA. “We focused on building a positive and proactive relationship by aligning our goals, creating a strategy, and executing that strategy,” Sunbury said. Meeting early and often helped both Sunbury and Stephens come to reasonable expectations about what the committee wanted from Internal Audit, and what support Internal Audit needed from the committee. While formal discussions happened during every quarterly committee meeting, one-on-one discussions between meetings enhanced goal alignment.

Committee Agenda Structure

The committee agenda structure became an integral part of reaching those goals. For example, the committee decided to

spend less time on standard assurance items and to hyper-focus on higher and emerging risk areas. To facilitate this, the chair and CIA transformed the structure of the committee agenda to expedite the discussion of traditional deliverables. Standard follow-ups were moved into a bundled consent item to be approved along with meeting minutes and other routine business.

Historically, Internal Audit had presented findings in a long, narrative format. Moving forward, Internal Audit now provides a summary table of key findings, so committee members could see the important issues right away and review details as needed. Standing items were added to create specific time to highlight the new risk assessment process and emerging risks.

Enterprise Risk Management

The next structural change was updating the committee name to Audit & Compliance. Typically, the Audit Committee is tied to Internal Audit; however, there may be other assurance functions that would be appropriate for the committee to oversee. It is becoming more commonplace for Internal Audit and areas like risk management or compliance to collaborate by sharing resources and expertise. The Board updated its bylaws to allow for this cross-functional collaboration.

Committee Engagement

When the annual audit plan was presented to the committee, Internal Audit provided a high-level overview of the risk assessment process, including the inputs and risk factors

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considered. This discussion was important to get committee member perspectives on risk considerations based on constituent feedback to ensure priority alignment with the committee. This holistic approach was used in finalizing the audit work plan.

Committee Communications

Continuous committee member engagement requires clear communication, drawing attention to the most critical factors for each item. The components of this targeted communication strategy include committee orientation, board development, data presentation, and an Internal Audit scorecard.

Committee Orientation

NSHE committee members may rotate on and off of the audit committee annually. Recognizing this continuous membership change, Internal Audit conducted an orientation for each new committee member, which also served as a refresher for the rest of the committee. Topics for these individual sessions included strategic direction, best practices, overall NSHE alignment, and questions and answers. Sessions were augmented by a formal orientation from the CIA during the committee meeting. Orientation included the committee's bylaws, the state of the Internal Audit department, and the types of items within the committee's purview. The process met with positive feedback from committee members, other board members, and institution representatives.

Board Development

Leading audit firms provide thought leadership that is insightful and serves as a resource for proactive risk management. The CIA builds on its initial orientation by distributing resources to committee members. Doing so provides ongoing board development and some assurance that the direction of the committee is aligned with the industry as a whole. Recently, the chair added a standing agenda item for board development featuring a thought leadership tool.

Data Presentation

Modernizing deliverables is key for committee members to make connections. For example, the Audit Committee was provided periodic updates on Internal Audit's activities and exceptions. Instead of the standard report, the Audit Committee suggested more visually appealing summary tables so committee members could compare and contrast institutions, open exceptions, and other data quickly. The ancillary benefit of this approach was increased accountability. With the measures front and center, the

committee could see which exceptions were open, and for how long, more efficiently and effectively. Ultimately, the number of open exceptions has decreased by 68 percent to date.

Internal Audit Scorecard

For the committee to perform its oversight duties, it needs to be able to measure the Internal Audit department's performance to ensure proper direction. After discussion with the committee to identify key metrics, the team implemented a six-month internal audit scorecard, covering standard items like the percentage of audit plan completed, but also areas like audit cycle time, the number of project requests from management, and an aggregate status of the audit team's certifications/degrees.

Connecting the Dots

Internal Audit is like the committee's paintbrush. The committee is given information before its meeting, and Internal Audit must paint the picture of each individual audit and NSHE overall. The committee meetings are set-up to facilitate board oversight as follows:

- Since agenda overlap is common, follow-ups remind committee members of what happened previously and which processes have been improved.
- The committee sees what is currently on the radar of Internal Audit with deliverables and status reports.
- The committee has the opportunity to discuss emerging and future risks through a standing agenda item.
- Committee members continuously expand their knowledge of industry trends and best practices through intentional board development.

The CIA and chair have used these methods to connect the past, the present, and the future for Audit & Compliance Committee members, enabling informed decision-making in this critical area of fiduciary oversight.



Joseph Sunbury is chief internal auditor of the Nevada System of Higher Education. Allison Stephens is a member of the Nevada System of Higher Education Board of Regents, serving as chair of the Audit and Compliance Committee and vice chair of the Business, Finance and Facilities Committee.